

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05
CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 /113 W
-----042367 270910Z /15

P R 270847Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 2302
TREASURY DEPT WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS -- OCT 21-27

1. SUMMARY: YEN APPRECIATES TOWARD 250 TO THE DOLLAR LEVEL, DESPITE REPORTED BANK OF JAPAN DOLLAR PURCHASES. FLAT INDUSTRIAL PRODUCTION NUMBERS FOR SEPT CONTRIBUTE TO GENERALLY DREARY PERFORMANCE OF PRODUCTION IN JULY-SEPT QUARTER. RETAIL SALES ARE MIXED IN SEPT BUT UP FOR JULY-SEPT QUARTER. DIET ACTION ON FY 1977 SUPPLEMENTAL BUDGET COMPLETED. NEW ZEALAND AND AUSTRIA POSTPONE YEN BOND ISSUES IN TOKYO MARKET. END SUMMARY.

2. AFTER EASING AGAINST THE DOLLAR LATE IN THE WEEK
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OF OCT 17, THE YEN AGAIN STRENGTHENED THIS WEEK, REACHING NEW HIGHS ON THE TOKYO FOREIGN EXCHANGE MARKET. THE LATEST HIGH WAS REACHED IN TRADING THURS AM, WHEN THE YEN HIT 250.60 TO THE DOLLAR. MARKET SOURCES REPORT BANK OF JAPAN DOLLAR PURCHASES EACH DAY THIS WEEK (MONDAY \$30-40 MIL; TUESDAY \$80-90 MIL; WEDNESDAY AROUND \$40 MIL; AND THURS MORNING \$170 MIL). MARKET HAS BEEN

AWAITING WITH SOME TREPIDATION RELEASE OF U.S. SEPT
TRADE FIGURS, EXPECTED TO BE BAD, AND IS ALSO CONCERNED
ABOUT WHAT IMPACT WILL BE IF JAPANESE OFFICIAL RESERVES
RISE TO OVER \$19 BIL IN OCT, AS IS ANTICIPATED.

3. JAPAN'S MINING AND MANUFACTURING PRODUCTION AND
PRODUCERS' SHIPMENTS, SEASONALLY ADJUSTED, BOTH DECLINED
DURING JUL-SEP QUARTER WHILE INVENTORIES OF FINISHED
GOODS CONTINUED TO RISE. IN SEPT, ACCORDING TO PRELIMINARY
ESTIMATES RELEASED BY MINISTRY OF INTERNATIONAL TRADE AND
INDUSTRY (MITI) OCT 26, INDUSTRIAL PRODUCTION AND PRODUCERS'
SHIPMENT (S.A.) BOTH REMAINED VIRTUALLY UNCHANGED. FOR THE MONTH,
MINING AND MANUFACTURING PRODUCTION INDEX SHOWED A SMALL
DECLINE OF 0.1 PERCENT AFTER 1.3 PERCENT INCREASE IN AUG;
PRODUCERS' SHIPMENTS OF MINING AND MANUFACTURING INDUSTRIES
REMAINED UNCHANGED AFTER RECORDING 1.3 PERCENT INCREASE IN
AUG. INVENTORIES OF FINISHED GOODS DROPPED 0.6 PERCENT IN
SEPT AFTER 0.1 PERCENT INCREASE IN AUG. FOR JUL-SEPT QUARTER,
MINING AND MANUFACTURING PRODUCTION INDEX AVERAGED 1.1
PERCENT BELOW PRIOR QUARTER, RECORDING FIRST QUARTERLY DROP
SINCE JAN-MAR QUARTER OF 1975. PRODUCERS' SHIPMENTS DROPPED
FOR SECOND STRAIGHT QUARTER, THOUGH LESS RAPIDLY THAN IN THE
SECOND QUARTER, BY 0.3 PERCENT. INVENTORIES OF FINISHED
GOODS CONTINUED TO RISE DURING JUL-SEPT QUARTER, UP 1.6
PERCENT OVER THE PRIOR QUARTER'S LEVEL, AND INVENTORIES TO
SHIPMENTS RATIO ROSE 2.0 PERCENT ON TOP OF THE 2.7 PERCENT
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INCREASE IN THE SECOND QUARTER OF THIS YEAR. FURTHER
DETAILS ON SEPT PRODUCTION AND SHIPMENTS REPORTED TOKYO 16588.
MINING AND MANUFACTURING INDICES, SEASONALLY ADJUSTED
(1970 EQUALS 100; PERCENT CHANGE FROM PRIOR PERIOD IN
PAREN)

PRODUCERS INVENTORIES TO
PRODUCTION SHIPMENTS INVENTORIES SHIPMENTS RATIO
RECENT QUARTER (MONTHLY AVERAGE):

1976:

OCT-DEC 128.7 (1.7) 130.7 (0.3) 164.7 (3.5) 126.0 (3.2)

1977:

JAN-MAR 129.4 (0.5) 134.4 (2.8) 168.7 (2.4) 125.5 (-0.4)

APR-JUNE 130.6 (0.9) 132.7 (-1.3) 171.0 (1.4) 128.9 (2.7)

JUL-SEP 129.1 (-1.1) 132.2 (-0.3) 173.8 (1.6) 131.4 (2.0)

RECENT MONTHS:

JUL 128.0(-2.2) 131.1 (-0.8) 174.0 (-0.2) 132.7 (0.6)

AUG 129.7 (1.3) 132.8 (1.3) 174.2 (0.1) 131.2 (-1.1)

SEPT 129.6(-0.1) 132.8 (0) 163.2(-0.6) 130.4 (-0.6)

4. DEPARTMENT STORE SALES, SEASONALLY ADJUTED, REBOUNDED
IN SEPT, UP 1.3 PERCENT OVER THE PRIOR MONTH'S LEVEL, ACCORD-
ING TO THE DATA RELEASED BY MINISTRY OF INTERNATIONAL TRADE

AND INDUSTRY (MITI) A DROP IN SALES OF CLOTHING WAS MORE THAN COMPENSATED BY THE HEALTHY GROWTH RECORDED FOR ALL OTHER ITEMS. FOR JUL-SEPT QUARTER OF THIS YEAR, DEPARTMENT STORE SALES ACCELERATED, RIISING NEARLY AS RAPIDLY AS IN THE FIRST QUARTER OF THIS YEAR, BY 2.3 PERCENT OVER PRIOR QUARTER'S LEVEL. SALS OF LARGE-SCALE SELF-SERVICE RETAIL STORES ALSO SUGGEST MODRATE RECOVERY OF PRIVATE CONSUMPTION DURING

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P R 270847Z OCT 77
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 2303
TREASURY DEPT WASHDC
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THE THIRD QUARTER, DESPITE A SLUGGISH SEPT PERFORMANCE.
TABLE 1: DEPARTMENT STORE SALES, SEASONALLY ADJUSTED
(1970 EQUALS 100;PERCENT CHANGE FROM PRIOR PERIOD IN
PAREN)

RECENT QUARTERS (MONTHLY AVERAGE):

1977: JAN-MAR 256.7 (2.6)
APR-JUNE 257.3 (0.2)
JUL-SEPT 263.2 (2.3)

RECENT MONTHS:

JUL 266.3 (5.5)
AUG 260.0 (MIN 2.4)
SEPT 263.3 (1.3)

TABLE 2: SALES OF DEPARTMENT STORES AND LARGE-SCALE SELF-SERVICE STORES, NOT SEASONALLY ADJUSTED
(IN BIL YEN; PERCENT CHANGE FROM A YEAR EARLIER IN PAREN)

DEPARTMENT STORES SELF-SERVICE STORES

RECENT QUARTERS (MONTHLY AVERAGE)

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1977: JAN-MAR	368.3 (7.1)	300.1 (16.2)
APR-JUNE	383.4 (6.3)	330.4 (17.8)
JULY-SEPT	416.1 (6.9)	348.9 (21.5)

RECENT MONTHS:

JULY	540.9 (8.5)	397.5 (27.4)
AUG	357.3 (4.8)	348.6 (23.6)
SEPT	350.0 (6.6)	300.7 (12.5)

NOTE: MITI DOES NOT COLLECT DATA ON RETAIL SALES EXCLUDING NEW STORE OPENINGS. THEREFORE NUMBER OF STORES INCLUDED IN THE DATA OF TABLE 2 VARIES FROM MONTH TO MONTH.

5. THE FISCAL 1977 SUPPLEMENTARY BUDGET BILL WAS GIVEN FINAL APPROVAL BY THE UPPER HOUSE OCT 24, WITH THE SUPPORT OF THE CLEAN GOVERNMENT PARTY, DEMOCRATIC SOCIALIST PARTY, AND THE NEW LIBERAL CLUB, IN ADDITION TO THE LIBERAL DEMOCRATIC PARTY. WITH THE PASSAGE OF THE SUPPELEMENTAL (WITHOUT AMENDMENT) ATTENTION IS NOW FOCUSING INCREASINGLY ON THE BUDGET FOR FY 1978.

6. NEW ZEALAND POSTPONED EXPECTED OCT BOND ISSUE ON TOKYO MARKET, AND AUSTRIA HAS GIVEN UP ITS PLANS TO FLOAT YEN BONDS IN NOV, NIHON KEIZAI REPORTED OCT 27. NEW ZEALAND GOVT WAS EXPECTED TO SIGN AN AGREEMENT FOR ITS 27 BIL YEN BOND ISSUE WITH MANAGING UNDERWRITER, YAMAICHI SECURITIES FIRM, ON OCT 26 BUT SUDDENLY POSTPONED. DURING OCTOBER EUROPEAN INVESTMENT BANK, SPANISH GOVT, AND MEXICAN GOVT ISSUED BONDS ON JAPANNSE MONEY MARKET AND JAPANESE UNDERWRITERS REPORTEDLY HAD EXPEIENCED DIFFICULTIES IN SELLING THESE FOREIGN BONDS. NEW ZEALAND GOVT REPORTEDLY EXPECTED ISSUE CONDITIONS FOR ITS YEN BONDS SIMILAR TO THOSE OF JAPANESE INDUSTRIAL BONDS RATED AT AA (COUPON RATE AT 6.8 UNCLASSIFIED

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PERCENT AND PRICED AT 99.50 PERCENT), BUT YAMAICHI SECURITIES FIRM IS SAID TO HAVE INSISTED ON COUPON RATE HIGHER THAN 6.9 PERCENT. AUSTRIAN GOVT INITIALLY WAS SCHEDULED TO PLACE 15 TO 20 BIL YEN BOND FLOTATION AROUND MIDDLE OF NOV BUT APPARENTLY GAVE UP THE PLAN DUE TO HIGHER THAN ANTICIPATED ISSUE COST.

6. THE AVERAGE PROPENSITY TO SAVE OF WORKERS HOUSEHOLDS
ROSE SLIGHTLY IN AUG, TO 21.4 PERCENT OF DISPOSABLE INCOME,
FROM 20.7 PERCENT IN JULY. AUG INCREASE IN SAVING RATE
WAS ATTRIBUTABLE TO THE FACT THAT LIVING EXPENDITURE
ROSE LESS THAN DISPOSABLE INCOME.

AVERAGE PROPENSITY TO SAVE (PERCENT OF DISPOSABLE
INCOME; SEASONALLY ADJUSTED) -- JEI 363

JUNE 23.3

JULY 20.7

AUG 21.4

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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